

Conference Committee Report on HB 1001

K-12 Education

- Eliminates Minimum Guarantee.
- The cafeteria plan is abandoned and they go back to individual categorical grants.
- Eliminates growing enrollment and remediation dollars (rolled into the formula)
- 142 schools experience a decrease in at least one year of the biennium, and 129 school experience a decrease in both years of the biennium.
- \$469M Property Tax Increase
 - \$237.4M-Tuition Support Gross Levy (4.1% -CY06 and 4.1% CY07)
 - \$232.3M-Outside Provisions (Textbook, CPF, Transportation)
- Outside Provisions (\$232.3M increase in property taxes and 43 schools still lose)
 - Textbook Relief-Schools are allowed to increase the Debt service levy to pay for unreimbursed textbooks for student eligible for free and reduced lunches.
 - Capital Projects Fund (CPF)-Schools are allowed to move an additional .75% of costs for property insurance and utilities to the CPF each year. Units are able to exceed the cap to accommodate these expenditures.*
 - Referendum Adjustment-provides authority to move pre-2002 levies outside school formula.
 - Transportation Funding-Schools are allowed to increase their transportation levies (over two years) to restore state line item transportation funding that was lost for the 2004-05 biennium.
 - TRF Contribution-Incremental payroll savings generated by transferring \$683M from the PSF to reduce the rate.

Textbooks	\$13,453,360	\$16,742,352
CPF Transfer	\$50,046,238	\$94,670,773
Referendum Adj	\$3,098,278	\$4,906,461
TRF Contr Rate(not a tax increase)	\$1,556,248	\$3,904,353
Trans Levy Adj	<u>\$16,447,959</u>	<u>\$32,895,918</u>
Total	\$84,602,084	\$153,119,857

- Provides a 1.2% increase in total funding in CY2006 and a 1.3% increase in CY2007-*primarily funded by increases in local property taxes.*
- If you include the outside provisions (Textbooks, CPF transfers, transportation, etc.) the increase is stated as 2.6% in CY 2006 and 2.4% in CY 2007.
- Increase in the state contribution is less than \$14M (\$13,632,893).
- Moves kindergarten start date from July to August in 2006-\$2.5M
- Funds charter schools like all other schools with no separate cap.
- Charter Schools receive a \$20M increase in funding and a total appropriation of \$113M (\$51M-CY06/\$62M-CY07) for the two calendar years of the biennium.
- Provides \$10M for the biennium from the Common School Fund interest for Charter Schools to leverage matching grants for facilities for construction (*SB598-basically a grant to charter schools, while other schools must take out a loan and repay, normally this revenue would revert to the general fund.*)
- Transfers \$600 from the PSF to the unfunded liability in the post-1996. However, PSF is reduced from \$1.9B to \$1.2B.

Property Taxes

- Property tax increase information:

Capping the PTRC at the CY 2005 Level	\$276.6M
Tuition Support Gross Max Levy Increase	\$237.4M
Outside Provisions	\$232.3M
Juvenile Arrearage Bonding Authority	<u>\$100.8M</u>
Total	\$847.1M
- The appropriation for FY2006-2007 biennium is actually \$40M less than the FY 2004-2005 level.

General Fund/PTRF Balances

- Leaves combined balance of \$529.8M on June 30, 2006 and \$756.5M on June 30, 2007.
- Adds \$100M to Rainy Day Fund, if available in FY 2007.
- Leaves a General Fund deficit of \$13.9M in FY 2006, but ends with a General Fund surplus of \$102.7M in FY 2007.
- Includes \$65M in revenue from the Tax Amnesty program (leaving at least \$38M off the books, LSA estimates were \$20-\$229M).
- Includes Juvenile Arrearage of \$9.1M in FY 06 and \$18.1M in FY 07.

- Permanently redirects the \$25M Abandon Property Transfer from the Common School Fund to the state General Fund.
- Includes outside bill contingency for SB 1 provisions
 - SB 1 (Governor's Tax Credits)
 - Charter School intercept of interest earned on the Common School Fund.
 - \$5M each year for a total of \$10M over the biennium.
- Does not mandate any payment delay repayments
 - Allows the Budget Agency to make re-payments, if possible.
 - The higher education payment delay re-payment language has been removed.

General Government

- Creates Office of Management and Budget. \$1M per year.
- Creates Office of Inspector General. \$1.1M per year.
- Increases Funding for State Budget Agency. \$1M per year.
- Creates Administrative and Financial Services for Indiana Economic Development Corporation. Nearly \$7M per year
- Increases the Lieutenant Governor's budget by almost \$2M both years.
- Funds operation of stand-alone Department of Agriculture \$1.6M per year.

Public Safety

- Integrated Public Safety Commission (Hoosier Safe-T/800Mhz) is added with an appropriation of \$13.2M per year from the Integrated Public Safety Commission Fund – funded by \$1.25 of BMV fees.
- State Police funding is still shifted more heavily towards the MVHF. This saves General Fund money, but will reduce the amount available to local units for roads.
- Creates a Department of Homeland Security with an appropriation of a little more than \$11.2M per year.
- Repeals the State Board of Correction.
- \$5M increase in community corrections funding.

Regulatory and Licensing Agencies

- The Health Professions Bureau is removed and it's funding is added to the appropriation for the Professional Licensing Agency.

Conservation and Environment

- The Office of Environmental Adjudication's budget is returned to being funded entirely with General Funds.
- IDEM's Groundwater Program is shifted entirely to dedicated funding.
- IDEM's Outreach Operator Training is partially shifted to dedicated funding.
- Heritage trust receives a \$1M appropriation each year with no augmentation authority – was \$1 in House with augmentation authority – this is no change from the Senate version.
- A new appropriation for the Lake Michigan Coastal Program is made at \$143,000 each year.
- The Clean Manufacturing Technology Board appropriation of \$475K each year was eliminated.
- Clean Water Indiana is funded at \$3.7M per year – from the cigarette tax fund

Commerce and Economic Development

- Reduces the appropriation for Individual Development Accounts by \$350K each year.
- Reduces about \$525K each year from the IEDC's administration account.
- The I-Light Fiber Optic System is reduced by \$1.5M each year to \$1M each year – this was done in the Senate Version and is still in the conference committee.
- The Office of Rural Affairs was increased about \$500K each year.

Transportation

This section has not changed since the Senate version

- Highway Operating within INDOT is increased by about \$4.3M each year
- Highway Buildings and Grounds is reduced by \$8.65M over the biennium
- Under the Highway Capital Improvements, line item are redistributed reducing right-of-way expenses by \$3M each year and consulting service expense by \$8.8M in FY 06 and \$7.9M in FY 07 and redistributes it to formal contracts.
- Under the Federal Apportionment line-item, right-of-way expense is reduced by \$7.5M each year and consulting engineers is reduced by \$20M each year and redistributed to formal contracts expense.

Human Services

- The General Fund appropriation for Medicaid Assistance is increased by 5.2% each year for a total state appropriation of \$1,397M in FY 06 and \$1,467 in FY 07. During the December forecast, OMPP requested 8.9% and 10.9%. This leaves a shortfall of \$271.7M.
 - Requires OMPP to request amendments to the state Medicaid plan to get prior approval for some dental services if not deemed medically necessary.
 - Makes some changes regarding property liens for Medicaid recipients.
- Community Mental Health Centers receive a new appropriation of \$2M each year from the Tobacco Master Settlement Fund which will be distributed by the Office of the Secretary of FSSA with consultation by the Budget Agency.
- Establishes a \$500K asset ceiling for CHOICE participants. Most participants are less than \$100K. No real impact.
- CHOICE is funded at \$48.8M per fiscal year, similar to the current appropriation. A flat-line of CHOICE funding is essentially a cut in funding because the number of the people on the waiting list continues to grow. There are 20,807 persons on the waiting list.
- Requires FSSA to set CHOICE reimbursement rates with consultation with the Area Agencies on Aging. (Should not create a problem, the rate are currently set only by the AAAs).
- CHOICE Payments cannot be counted as Medicaid spend-down.(Against federal law)- *Expenses incurred by the individual or financially responsible relatives for necessary medical and remedial services that are recognized under State law and are not subject to payment by a third party, unless the third party is a public program of a State or political subdivision of a State.*
- Project ATTAIn funding was reduced from \$350K each year to \$233K. ATTAIn provides assistive technology to more than 7,700 disabled people each year.
- Funds 400 additional caseworkers.
- First Steps changes:
 - The state is still kept as the payer of last resort.
 - The co-pay schedule has been changed – kept the same as the Senate passed version.
 - The insurance payment maximum has been removed.

- Adds an appropriation for Independent Living Transitional Services from the Tobacco Master Settlement fund for \$1M each year – this is intended to move people off foster care.
- Still makes the state the payer of last resort for First Steps.
 - The budget also modifies the co-pays for the program – same as the Senate passed co-pays.
 - Includes language requiring a report on the First steps program.
- Language is added to make any Medicaid reimbursement received by Silvercrest, Soldiers and Sailor's Children's home deposited in the General fund. (not on the balance sheet...will reduce state expenditures)
- Requires a minimum of 75% of the appropriation to the Tobacco Use Prevention and Cessation Program be used for grants to local agencies.

Higher Education

- Enrollment changes are funded at 60% and 90% of CHE enrollment growth before the across-the-board reductions.
 - \$28.7M increase in 06 and \$43.1M in FY 07.
- Research changes are \$8.7M in FY 06 and \$18.8M in FY 07.
- Equity Funding – only IUPUFW - \$800K in FY 06 and FY \$600K in FY 07.
- The across-the-board reduction was \$59.3M in FY 06 and \$120M in FY 07 before any increases.
- Overall higher education operating is increased by about \$12.4M over the biennium. However, not everyone is a winner.
 - IU – Bloomington decreases \$6.5M
 - IU – East increases \$100k
 - IU – Kokomo increases \$100k
 - IU – Northwest increases \$732k
 - IU – South Bend decreases \$1M
 - IU – Southeast increases \$20k
 - IUPUI – Health Divisions decreases \$2.2M
 - IUPUI – General Academics increases \$75k
 - Purdue – West Lafayette decreases \$9k
 - Purdue – Calumet decreases \$363k
 - Purdue – North Central increases \$368k.

- IPFW increases \$2.7M.
- ISU decreases \$7.9M.
- USI increases \$1.9M.
- BSU decreases \$2.5M.
- Vincennes University increases \$1.2M
- Ivy Tech increases \$25.6M.
- The R&R increases are \$12.8M both years, for a total appropriation of \$25.6M each year of the biennium.
 - This is 50% of the CHE recommendations.
- The IHETS appropriation is partially restored, but they are still reduced from their current appropriation by \$825K in FY 06 and nearly \$2M in FY 07.
- The Southeast Indiana Education Services is reduced by \$100K each year.
- The Indiana Career and Post-Secondary Advancement Center is reduced by over \$350K in FY 06 and then eliminated in FY 07.
- Higher education capital:
 - Bonded:
 - Eliminates the IU-South Bend project of \$25.8M for the Education and Arts Building Renovation.
 - IUB Central Heating Plant Renovation Phase I \$45,000,000
 - PUWL Strategic Infrastructure and Utilities Improvements \$43,600,000
 - ISU University Hall Renovation for College of Education \$26,880,000
 - USI Ed/Sci Shell Space Completion, SOB/GCB A&E, & Physical Plant Expansion \$6,600,000
 - BSU Boiler Plant Replacement Phase I \$48,000,000
 - Ivy Tech Valparaiso New Campus - Phase 2 \$20,000,000
 - Ivy Tech Madison Main Campus Expansion \$19,144,000
 - Ivy Tech New Marion Campus \$21,015,000
 - Bonding Authority is increased by \$3.4M for the Ivy Tech – Marion new campus
 - Cash Capital:
 - IPFW Student Services and Library Complex A&E \$2,400,000
 - VU Steamline Replacement \$2,500,000

- VU Electrical Substation \$1,000,000
- ITSC Fort Wayne Technology Center A&E \$2,500,000
- ITSC Planning - Greencastle Campus Expansion \$250,000
- Authority Only:
 - USI Recreation and Fitness Center Expansion Phases II and III \$7,250,000
 - PUNC Parking Garage #1 \$5,000,000 – new project in the conference committee.
- IVY Tech receives an additional appropriation for the Fort Wayne Public Safety Training Center Lease of \$1M.
- Bonding authority for the following projects is removed:
 - IU – South Bend Campus – Education and Arts Building Renovation \$25,750,000

Other Line-Items

- The public library distribution is restored at the same level as the past budget.

Capital

- The PM appropriation for State Parks and Reservoirs is reduced by \$286K.
- Lake County Airport Development zone is still funded.

Code Language

- Creates the Office of Management and Budget and funds it.
- Funds the Office of the Inspector General.
- Allows DNR Commission to set fees instead of the General Assembly.
- Professional standards board is eliminated and its powers transferred to the DOE.
- OMB – takes cost benefit analysis responsibilities away from LSA after 6/30/5 if impact is greater than or equal to \$500,000.
- Allows for the transfer of any unused appropriations to the IEDC by the Board of Finance.
- Allows the DLGF to withhold PTRC from counties that do not adopt a payment plan for the payment of the DOC juvenile arrearage they owe.
- The juvenile per diem rate is changed to \$60. This costs the state about \$10M per year.
- Makes the TRF changes to reduce the unfunded liability and reduces the schools contribution to TRF from 9% to 7%, of which .5% is devoted to a COLA.
- State Examiner must have 3 years experience instead of 7.
- AK Steel Language.
- Local homestead credit

- Automatic credit equal to the amount of property taxes over 2% of the gross assessed value.
 - Lake county language cannot increase levy to make up for reduction.
- SB496 language – credit for excessive residential property taxes.
- Extends the EITC until 2011.
- Allows the Indiana Finance Authority to finance GARVEE Bonds for highway construction.
- Allows the extension of the BMV fees for the Hoosier Safe-T project.
- Assessment of CBS---assessments at 6% rather than 2.5%, all money to DD community services. New: Group homes have had assessment for years, works like QA fee for NH, allows more money to homes. Move away from institutional based, into HCB. Leveraging federal money to pay providers more---Medicaid
- The Higher Education Commission is instructed to develop a core transfer library of courses for all state operated institutions of higher education.
- Tuition Fees are locked in for a two-year period.
- Madison County is allowed to appoint a full-time magistrate.
- Perry Superior Court is allowed to appoint a full-time magistrate.
- Vigo Superior Court is allowed to appoint a full-time judge.
- Maximum caseloads are established for child protection caseworkers.
- Reestablishes the Government Efficiency Commission.